



STATE BOARD OF EQUALIZATION

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(916) 445-6479

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Fourth District, Pasadena

KENNETH CORY  
Controller, Sacramento

DOUGLAS D. BELL  
Executive Secretary

May 14, 1980

No. 80/79

TO COUNTY ASSESSORS, COUNTY COUNSELS,  
ASSESSMENT APPEALS BOARDS, STATE ASSESSEES,  
AND OTHER INTERESTED PARTIES:

PROPERTY TAXES RULES 133, 192, 202, 205, 305, and 305.5

Attached is a notice of public hearing to be held July 31, 1980 at 2:00 p.m., in Room 102, 1020 N Street, Sacramento, California, on Rules 133, Business Inventory Exemption; Rule 192, Mandatory Audits; Rule 202, Allocation of Aircraft of Certified Air Carriers and Scheduled Air Taxi Operators; Rule 205, Movable Property; Rule 305, Application; and Rule 305.5, Two-Year Presumption.

Rule 133 is being amended to describe contractors' property which qualifies for an inventory exemption, to remove baled cotton as an example of property not eligible for exemption, and to make clear that inventory escape assessments shall operate as a denial of the inventory exemption only during the tax years 1975-76 through 1979-80.

Rule 192 is being amended to raise the mandatory audit limit to \$200,000 as measured by the sum of the trade fixtures value and the business personal property value. The rule amendment was needed because Revenue and Taxation Code Section 469 was amended in 1969 to raise the mandatory audit limit from \$100,000 to \$200,000 and to add trade fixtures as property to be included in the measure of the audit limit.

Rule 202 is being amended to eliminate the provision for excluding certain ground time when measuring taxable time allocation to California. The elimination was brought about by a sunset provision in Revenue and Taxation Code Section 1152. The type description of aircraft, for use in segregation, has been amended to more general descriptive classifications.

Rule 205 is being amended to eliminate reference to racehorses. The rule did not conform to Revenue and Taxation Code Section 5720.6 which describes the situs of racehorses.

County Assessors, County  
Counsels, and Other  
Interested Parties

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May 14, 1980

Rule 305 is being amended to describe the period during which application may be made for assessment appeal at the local level. The new period for appeal is the result of legislative amendment of Revenue and Taxation Code Section 1603.

Rule 305.5 is being amended to delete reference to a two-year presumption that was eliminated by provisions in California Constitution, Article XIII A (Proposition 13) and AB 1488 (Statutes of 1979). The rule, as amended, is entitled, "Base Year Value Presumption", and describes presumptions relative to base year value.

Written comments with respect to the notice are welcome and should be directed to the undersigned. If you wish to testify at the hearing, please notify me by mail at the above address or by telephone (916) 445-6479, at least ten days prior to the date of the hearing.

Sincerely,

  
Janice Masterton  
Calendar Clerk

JM:ms  
Attachment

NOTICE OF PROPOSED CHANGES IN THE REGULATIONS  
OF THE STATE BOARD OF EQUALIZATION

Notice is hereby given that the State Board of Equalization, pursuant to the authority vested in Section 15606 of the Government Code to implement, interpret and make specific Chapter 1, Part 1, Article 1, Chapter 1, Articles 2 and 6, Chapter 3, Article 6, Chapter 5, Part 2, Articles 1 and 1.5, Chapter 1, Part 3, Division 1 of the Revenue and Taxation Code proposes to amend and repeal regulations in Subchapter 1, Articles 3, 4, and 5 of Subchapter 2, and Article 1 of Subchapter 3, Title 18 of the California Administrative Code, as follows:

(1) Amend Regulation 133 to read:

133. Business Inventory Exemption

(a) SCOPE OF EXEMPTION.

- (1) "Business inventories" that are eligible for a ~~partial~~ exemption from taxation under section 129 of the Revenue and Taxation Code include all tangible personal property, whether raw materials, work in process or finished goods, which will become a part of or are themselves items of personalty held for sale or lease in the ordinary course of business. Included in business inventories are containers or container material such as kegs, bottles, cases, twine and wrapping paper, whether returnable or not, if title thereto will pass to the

purchaser or lessee of the product to be sold or leased therein. Additionally, goods held by a licensed contractor for sale or to be incorporated into real property which is held for sale, such as steel beams, columns, girders, etc., are eligible for the exemption. Also included are crops and animals held primarily for sale or lease and animals used in the production of food or fiber and feed for animals in either category; however, "livestock" as defined in section 5503 of the Revenue and Taxation Code, are excluded from "business inventories," whether or not such livestock are exempt under chapter 3 (commencing with section 5541) of part 11 of Division 1 of the Revenue and Taxation Code.

- (2) The phrase "ordinary course of business" does not constitute a limitation on the type of property which may be held for sale or lease, but it does require that the property be intended for sale or lease in accordance with the regular and usual practice and method of the business of the vendor or lessor.
- (3) The phrase "goods intended for sale or lease" means property acquired, manufactured, produced, processed, raised or grown which is already the subject of a contract of sale or which is held and openly offered for sale or lease or will be so held and offered for sale or lease at the time it becomes a marketable product. Property which is ready for sale or lease must be displayed, advertised or otherwise brought to the attention of the potential purchasers or lessees by means normally employed by vendors or lessors of the product.

(b) Exclusions. Property eligible for the "business inventories" exemption does not include:

- (1) Property of any description in the hands of a vendee, lessee or other recipient on the lien date which has been purchased, leased, rented, or borrowed primarily for use by the vendee, lessee or other recipient of the property rather than for sale or lease or for physical incorporation into a product which is to be sold or leased. Examples of property excluded from business inventories are office supplies, furniture, machines and equipment and manufacturing machinery, equipment and supplies such as dies, patterns, jigs, tooling or chemicals used to produce a chemical or physical reaction, and contractors' supplies, tools, concrete forms, and other items that will not be incorporated into and become a part of the real property. Also ineligible are materials that a contractor is holding to incorporate into real property that will be retained for his own use.
- (2) Any tangible personal property such as ~~baled cotton~~ and general aircraft that is classified by law for the purpose of assessment or taxation in a different proportion to its value than is applicable to real property.
- (3) Property being used by its owner for any purpose not directly associated with the prospective sale or lease of that property.
- (4) Property actually leased or rented on the lien date.
- (5) Property which has been used by the holder prior to the lien date, even though held for lease on the lien date.

- (6) Property intended to be used by the lessor after being leased or during intervals between leases even though held for lease on the lien date.
- (7) Property in the hands of a lessor who, with intent to enjoy the benefits of the inventory exemption, had leased the property for a period that expired shortly before the lien date but who renewed, extended or renegotiated the lease shortly thereafter.
- (8) Property which had escaped assessment as of the filing of the roll pursuant to section 616 of the Revenue and Taxation Code, but has subsequently been assessed under the provisions of sections 531.3, 531.4 or 531.5 of the Revenue and Taxation Code, except that such assessments for the tax year 1975-76 and thereafter years 1975-76 through 1979-80 shall result in loss of exemption only when the assessment includes the penalty provided by section 504 of the Revenue and Taxation Code.

(c) **Service Enterprises.** Property held by a person in connection with a profession which is primarily a service activity such as medicine, law, architecture or accountancy is not "business inventories" held for sale or lease even though such property may be transferred to a patient or client incidental to the rendition of the professional service. Property held by enterprises rendering services of a nonprofessional type such as dry cleaners, beauty shop operators and swimming pool service companies is to be regarded as "business inventories" held for sale if such property is delivered to the customer as an item regularly included in the service.

(d) **Repairers and Reconditioners.** Persons engaged in repairing or reconditioning tangible personal property with the intent of transferring parts and materials shall be regarded as holding said parts and materials as "business inventories."

(e) **Agricultural Enterprises.** Animals, crops and feed held primarily for sale or lease in the ordinary course of business are included in the term "business inventories," as are animals used in the production of food or fiber and feed for such animals.

- (1) "Animals used in the production of food and fiber" includes all animals customarily employed in the raising of crops or for the feeding, breeding and management of livestock, or for dairying, or any other confined animals whose products are normally used as food for human consumption or for the production of fiber useful to man. Excluded are livestock as defined in section 5503 of the Revenue and Taxation Code and animals held by an owner or lessee principally for sport, recreation or pleasure such as show animals, horses kept for racing or horses and other animals kept as pets.
- (2) The term "crops" means all products grown, harvested, and held primarily for sale, including seeds held for sale or seeds to be used in the production of a crop which is to be held primarily for sale. It does not include growing crops exempted pursuant to Article XIII, section 3 (h), of the California Constitution or fruit trees, nut trees, and grapevines exempted by section 223 of the Revenue and Taxation Code.
- (3) The term "food" means property normally considered as food for human consumption.
- (4) Feed for animals held primarily for sale or lease or for animals used in the production of food or fiber constitutes "business inventories" subject to exemption. It includes every type of natural-grown or commercial product fed to animals except medicinal commodities intended to prevent or cure disease unless the medicinal commodities are purchased as a component part of feed for such animals.

(2) Amend Regulation 192 to read:

192. Mandatory Audits

- (a) HOLDINGS CONTINUOUSLY EQUALING OR EXCEEDING THE ~~\$100,000~~ \$200,000 MINIMUM. When a taxpayer engaged in a profession, trade, or business owns, claims, possesses, or controls locally assessable trade fixtures and business personal property in any county which, according to the assessor's records, has a full value of ~~\$100,000~~ \$200,000 or more on the ~~1973~~ 1975 lien date and ~~on each lien date thereafter~~ remains at or above the minimum for at least the next three lien dates the assessor shall complete an audit of the taxpayer's books and records (1) at least once ~~within four~~ years of the close of the 1972-73 fiscal year by June 30, 1980 and (2) thereafter at least once within each four-year period following the close of the latest fiscal year covered

the preceding audit until relieved of this responsibility by subdivision (c) of this section.

- (b) OTHER HOLDINGS EQUALING OR EXCEEDING THE MINIMUM IN FOUR CONSECUTIVE YEARS. When such a taxpayer is not subject to mandatory audit under subsection (a) but his holdings equal or exceed ~~\$100,000~~ \$200,000 on the ~~1973~~ 1976 lien date or any succeeding lien date and remain at or above the minimum for at least the next three lien dates, the assessor shall complete an audit of his books and records (1) at least once within the four fiscal years following the first of such four consecutive lien dates, and (2) at least once thereafter within each four-year period following the latest fiscal year covered by the preceding audit until relieved of this responsibility by subdivision (c) of this section.
- (c) HOLDINGS FALLING BELOW THE MINIMUM. After such a taxpayer's holdings fall below ~~\$100,000~~ \$200,000 on any one lien date, the assessor shall not be required to audit his books and records for that lien date and subsequent lien dates until his holdings again equal or exceed ~~\$100,000~~ \$200,000 on four consecutive lien dates.
- (d) FARMING. For purposes of this rule, farming is a business. The assessor, when making an audit pursuant to this section of a farming or ranching operation, shall determine whether any livestock taxable to the same taxpayer pursuant to part 11 or racehorses taxable to the same taxpayer pursuant to part 12 of Division 1 of the Revenue and Taxation Code have been underreported or escaped assessment.



- (e) DEFINITIONS. Property is owned, claimed, possessed, or controlled by a taxpayer if he is required to report it on a statement or report form prescribed by the board pursuant to section 452 of the Revenue and Taxation Code; "holdings" means the full cash value of locally assessable tangible personal property in the county; "Holdings" means the taxable value of locally assessable trade fixtures and the full cash value of locally assessable business personal property in the county (exclusive of aircraft assessed under part 10 of the Revenue and Taxation Code and Vessels). and a "fiscal year" is the governmental fiscal year of July 1 through June 30. "Trade fixtures" means any fixtures whose use or purpose directly applies to or augments the process or function of a profession, trade, or industry.
- (f) OTHER AUDITS. Nothing herein shall be construed to prohibit an assessor from auditing the books and records of any taxpayer or for any period for which audits are not required by paragraphs (a) and (b).

(3) Amend Regulation 202 to read:

202. Allocation of Aircraft of Certificated Air Carriers and  
Scheduled Air Taxi Operators

(a) Air taxis. An aircraft whose owner on the lien date used it in scheduled air taxi service at any time during the representative period selected pursuant to subsection (f), or which has been purchased for scheduled air taxi service but not yet put into such service and not yet used in any other service, is assessable under sections 1150 to 1156 of the Revenue and Taxation Code and not under Part 10, Division 1, or under other situs provisions of Part 2, Division 1, of the Revenue and Taxation Code.

(b) **Situs.** Aircraft of United States registry operated by certificated aircarriers (within the meaning of section 1150 of the Revenue and Taxation Code) or scheduled air taxis (within the meaning of subdivisions (a) and (b) of section 1154 of the Revenue and Taxation Code) and flown in intrastate, interstate, or foreign commerce shall be deemed to be situated only in those taxing agencies (within the meaning of section 404 of the Revenue and Taxation Code) in which the aircraft normally make physical contact. The physical contact must be intentional rather than by accident or as the result of an emergency, and it must involve embarking or disembarking of crew, passengers, or freight.

Aircraft flying over the state without landing do not acquire situs for property tax purposes. Conversely, the situs of aircraft that depart from a taxing agency within the state, fly out of the state, and return to the same or another taxing agency within the state without landing outside the state is within the state's taxing jurisdiction throughout the flight.

Situs for property tax purposes is not affected by the legal or commercial domicile of the operator of the aircraft, except that foreign-owned and -based aircraft operated solely in foreign commerce do not acquire a situs within the state for property tax purposes.

(c) **Allocation formula.** The allocation formula to be used by each assessor is composed of two factors: (1) ground and flight time and (2) aircraft arrivals and departures.

Time allocable to an airport is the amount of time that certificated aircraft and scheduled air taxis are on the ground at the airport, plus a portion of the incoming and outgoing flight time computed pursuant to subsection (d). The ratio of the time allocable to the airport during a representative period to the sum of the time allocable to the airport and the time allocable elsewhere is the ground and flight time factor. ~~In computing the ground and flight time factor, the following shall be excluded:~~

~~From the time allocable to the airport--~~

~~(1) All ground and flight time prior to the aircraft's first entry into the revenue service of the air carrier in control of the aircraft on the current lien date.~~

~~(2) All ground time in excess of 12 consecutive hours at the airport following entry into revenue service.~~

~~From the total time--~~

~~(1) All ground and flight time prior to the aircraft's first entry into the revenue service of the air carrier in control of the aircraft on the current lien date.~~

This factor shall be multiplied by 75 percent to obtain a weighted ground and flight time factor.

The aircraft arrivals and departures factor is the ratio of the number of arrivals at and departures from an airport during a representative period to the total number of arrivals at and departures from all airports during the representative period. This factor shall be multiplied by 25 percent to obtain a weighted arrivals and departures factor.

The weighted time factor shall be added to the weighted arrivals and departures factor. The sum of the two weighted factors yields the allocation ratio to be applied to the full cash value of the aircraft to determine the full cash value allocable to the airport.

(d) **Allocation of Flight Time.** For aircraft flying from one California airport to another California airport, the flight time attributable to each airport is one-half the flight time between the airports.

For aircraft arriving from an airport outside the state or leaving for an airport outside the state, the flight time from or to the state boundary shall be allocated to the California airport in which the aircraft first lands or last takes off, as the case may be. The flight time to the state boundary shall be computed as follows: (1) determine the mileage from the airport to the state boundary crossing point on a great circle flight to the first landing point outside the state; (2) divide this mileage by the total great circle mileage from the airport to the first landing point outside the state; (3) multiply this percentage by the total flight time from the airport to the first landing point outside the state. The same procedure shall be used for inbound flights from outside the state. To allow for differences in take-off, landing, and cruising speeds and for varying take-off and landing patterns, the time allocated to an airport shall not be less than five minutes for an incoming or an outgoing flight. In lieu of the actual flight time for a single flight, the average flight time between two ports, or between a port and the state line, for two or more flights of a single carrier or of more than one carrier shall be used when such an average is promulgated by the board unless the assessor has documented evidence which justifies departure from such average time.

(e) **Sources of Allocation Data.** For scheduled operations, arrivals and departures and ground and flight time shall be derived from the carrier's operating schedules. For nonscheduled operations, including, but not limited to, overhaul, pilot training, charter, military contract flights, and standby services, ground and flight time and arrivals and departures shall be derived from the carrier's recorded operations.

(f) **Representative Period.** Annually, on or before February 15, the board shall consult with the assessors of the counties in which air carriers' aircraft normally make physical contact. On or before March 1, the board shall designate a representative period to be used by all assessors in assessing the aircraft of each carrier for the forthcoming fiscal year.

(g) **Application of Allocation Formula.** The aircraft of certificated air carriers and scheduled air taxi operators shall be segregated by type, and a separate allocation ratio shall be computed for each type which has established a tax situs within the state, excluding those makes within a type which have not established a tax situs within the state. Each allocation ratio shall then be applied to the total value of the carrier's aircraft of each type to which the allocation ratio applies, excluding those makes within a type which have not established a tax situs within the state.

The types are as follows:

- (1) Piston-powered
- (2) Turboprop-powered
- (3) Helicopter
- (4) Turbojet and Turbofan powered
  - (A) Two engine
  - (B) Three engine
  - (C) Four engine
  - (D) DC-8-60 series
  - (E) Boeing 747 Two engine widebody
  - (F) DC-10 and L-1011 Three engine widebody
  - (G) Four engine widebody

(4) Amend Regulation 205 to read:

## 205. Movable Property

(a) General. Movable property is all property which is intended to be, and is, moved from time to time from one location to another. Such property may be in-transit, consigned, or leased, and under such circumstances its situs is to be determined by reference to section 203 or 204.

Movable property has situs where located on the lien date if it has been in the county for more than 6 of the 12 months immediately preceding the lien date and if it is to remain in or be returned to the county for any substantial period during the 12 months immediately succeeding the lien date. Property which has been in the county for less than 6 of the 12 months immediately preceding the lien date, but which is committed to use in the county for an indeterminate period or for more than six months, has situs there whether the use extends through or commences with the lien date.

Property which does not have situs where located on the lien date pursuant to the previous paragraph has situs at the location where it is normally returned between uses or, if there is no such location, at the principal place of business of the owner.

(b) General Aircraft. Aircraft other than those subject to Revenue and Taxation Code sections 1150 to 1155 have situs for taxation purposes at the airport in which they are habitually situated when not in flight. An aircraft that spends a substantial amount of ground time at each of two or more airports has its tax situs at the airport where it spends the greatest amount of ground time.

~~(c) Racehorses. -- Racehorses have their situs for taxation purposes at the place, not necessarily a ranch, where they are raised and trained and to which they normally return when not racing.~~

~~(d)~~ (c) This section does not apply to boats nor to or to livestock, other than racehorses.

(5) Amend Regulation 305 to read:

305. Application

No change in an assessment sought by a person affected shall be made unless the following application procedure is followed:

- (a) **Who may file.** The application is made by a person affected or his agent. If the application is made by an agent other than an authorized attorney licensed to practice in this state, or a relative mentioned in section 320, written authorization to so act must be filed with the application. If the applicant is a corporation, the authorization must be signed by an officer of the corporation.
- (b) **Signature and verification.** The application shall be in writing and signed by applicant or his agent with declaration under penalty of perjury that the statements made in the application are true. If the application is executed outside the State of California, it shall be sworn to before a notary public or other person authorized to administer oaths.
- (c) **Forms and contents.** The county shall provide free of charge forms on which applications are to be made. The application shall show:
  - (1) The name and address of the applicant;
  - (2) The name and address of the applicant's agent, if any;
  - (3) A description of the property which is the subject of the application sufficient to identify it on the assessment roll;
  - (4) The applicant's opinion of the full value (market value) of the property on the lien date of the assessment year in issue;
  - (5) The full cash value on which the assessment of the property was based (that is, four times the assessed value);
  - (6) The facts relied upon to support the claim that the board should order a change in the assessed value or classification of the subject property. The amount of the tax or the amount of an assessed value increase shall not constitute facts sufficient to warrant a change in assessed values.
  - (7) A notice that a list of property transfers within the county, which have occurred within the preceding two-year period, is open to inspection at the assessor's office to the applicant upon payment of a fee of ten dollars (\$10).
  - (8) A notice that written findings of fact will be available upon request and an appropriate place for the applicant to make the request. (See sections 308 and 325 for other provisions regarding findings of fact.)

An application which does not show the foregoing items to be filled in by the applicant is invalid and shall not be acted upon by the board. Prompt notice that an application is invalid shall be given. An application which shows the foregoing items is valid and no additional information shall be requested of the applicant on the application form. The application shall be in a form prescribed by the State Board of Equalization. If the county has appointed hearing officers as provided for in Revenue and Taxation Code section 1636, the application form shall advise the applicant of the circumstances under which he may request his application be heard by such an officer.

~~(d) Time for filing. - The application shall be filed with the clerk. In Los Angeles County an application for a change of an assessment made during the regular assessment period must be filed with the clerk between the third Monday in July and September 15. In San Diego, Alameda, San Francisco, Orange, Santa Clara, San Bernardino, Sacramento, and San Mateo counties the application must be filed with the clerk between July 2 and September 15. In all other counties the application must be filed with the clerk between July 2 and August 26. An application for a change of assessment made outside the regular assessment period must be filed with the clerk no later than 60 days after the date on which the assessee was notified of the assessment pursuant to section 1605 of the Revenue and Taxation Code. - Except as provided in Revenue and Taxation Code sections 619.2, 620 and 620.5, the board has no jurisdiction to hear an application unless filed within the time specified. The regular assessment period is from March 1 to and including July 1 or to such later date for completion of the roll as may be authorized by the State Board of Equalization. An application filed by personal delivery to the clerk must be received by the clerk by 5:00 p.m. of the last day within the filing period. An application filed by mail that has the postage prepaid, is properly addressed and is postmarked with the date of the last day or with the date of an earlier day within the period shall be deemed to have been filed within the period. If the postmarked date is later than the last day of the period, the application shall be deemed to have been filed within the period if proof satisfactory to the board establishes that it was mailed on the last day of the period or on a day earlier within the period. - - -~~

(d) Time of filing. The application shall be filed with the clerk beginning July 2 but no later than September 15. An application will be deemed to have been timely filed if it is sent by U. S. mail, properly addressed with postage prepaid and is postmarked on September 15 or earlier within such period.

(e) Amendments. No application may be amended after 5:00 p.m. on the last day upon which it might have been filed if the effect of the amendment is to request relief additional to or different in nature from that originally requested.

(6) Regulation 305.5 is amended to read:

**Rule No. 305.5.**

**~~-Two-Year-Presumption~~**

~~(a) Conditions Under Which Two-Year Presumption Arises. - When, after application and hearing, the board changes the full cash value of a parcel of real property from the assessor's latest finding of value as reflected by the assessment on the roll or from that recommended, proposed or stipulated to by the assessor and communicated to the board before it has made its decision for the assessment year for which such change is made, there is a rebuttable presumption that the full cash value of such real property for the succeeding two assessment years is the value so determined by the board, provided the action of the assessor in either of the succeeding two assessment years is:~~

~~(1) To raise the value total on the current roll above a figure to which it had been lowered by the board.~~

~~(2) To lower the value total on the current roll below a figure to which it had been raised by the board.~~

~~The presumption shall not apply if the action of the assessor in either of the succeeding two assessment years is:~~

~~(3) To raise the value total on the current roll above a figure to which it had been raised by the board.~~

~~(4) To lower the value total on the current roll below a figure to which it had been lowered by the board.~~

~~(b) Notice by Assessor. - The assessor when seeking a change in value to which the presumption applies shall give written notice of the proposed full cash value and the proposed assessed value to the assessee of the property on the current roll, and shall at the same time give a copy of the notice to the clerk. The notice from the assessor to the assessee may be given by personal delivery to the assessee, or by depositing the notice in the United States mail directed to the latest address of the assessee available to the assessor on file in his records. The notice from the assessor to the assessee in either of the two succeeding years must be given on or before the 15th day prior to the final day for filing an application for change of an assessment made during the regular assessment period as provided in section 305(d) and shall relate only to the value of the property for that assessment year.~~

~~(c) Statement of No Contest. - On receipt of the notice the assessee or his successor in interest may file with the clerk a written statement that he does not desire to contest the assessor's action.~~

~~(d) Setting for Hearing. - If a statement of no contest has not been received within ten days after he receives the copy of the notice, the clerk shall set the matter for hearing pursuant to sections 307 and 309. If a statement of no contest is received after the matter is set for hearing, the clerk shall remove the matter from the board hearing calendar.~~

~~(e) Changes Eliminating the Presumption. - A presumption created under this section shall cease to exist and none of the other provisions of this section shall apply if any of the following changes with regard to the parcel have taken place subsequent to the first day of March of the assessment year to which the hearing and decision giving rise to the presumption pertained:~~

- (1) A change in zoning or permissive use of a parcel of real property.  
(2) A change of assessed value due to an intercounty equalization order issued by the State Board of Equalization.  
(3) A physical change in the land or improvements for which a permit would be required.--  
~~(4) Conditions Under Which Two-Year Presumption Does Not Arise.~~ There shall be no presumption created under this section attaching to the decision of a board with regard to land or improvements:  
(1) Under initial construction or development on, or initially constructed or developed subsequent to, the lien date to which the decision relates.  
(2) Whose value has been changed pursuant to legislation enacted under the authorization of section 15 of article XIII of the Constitution of the State of California (assessment of damaged or destroyed property).  
(3) When the only change in the value total relates to the value of trade fixtures.

#### Base Year Value Presumption

The appeals board decision that the fair market value is lower than the taxable value (as defined in Section 460(b)(6)) will not establish a new base year value, unless the base year value is the subject of the appeal.

Any base year value determined by a local board of equalization or by a court for any 1975 assessment shall be conclusively presumed to be the base year value for the property assessed.

The full cash value determined for the 1975 lien date shall be conclusively presumed to be the base year value unless an equalization application is filed no later than September 15, 1980.

The full cash value determined for property which is purchased is newly constructed or changes ownership after the 1975 lien date shall be conclusively presumed to be the base year value, unless an application for equalization is filed during



the equalization period for the year in which the assessment is placed on the assessment roll or is filed during the equalization period in any of the three succeeding years. Any determination of full cash value by a local board of equalization or by a court of law resulting from such filing shall be conclusively presumed to be the base year value beginning with the lien date of the assessment year in which the appeal is taken. An application for equalization made pursuant to sections 620 or 1605 of the Revenue and Taxation Code, when determined, shall be conclusively presumed to be the base year value.

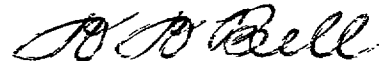
Notice is also given that any person interested may present statements or arguments orally or in writing relevant to the action proposed, at Room 102, 1020 N Street, Consumer Affairs Building, Sacramento, CA 95814, at 2:00 p.m., on July 31, 1980. The State Board of Equalization, upon its own motion or at the instance of any interested person, may thereafter adopt the above proposal substantially as above set forth without further notice.

Note: The State Board of Equalization has determined these regulations involve no cost or savings to local, state, or federal governments under Section 11421 of the Government

Code except for Rule 192 which is expected to cause a net savings to the counties.

Dated: April 29, 1980

State Board of Equalization

A handwritten signature in cursive script, appearing to read "D D Bell".

Douglas D. Bell  
Executive Secretary